

# SUMMARY ANNUAL REPORT

Year Ended June 30, 2003



## LASERS

Mailing Address: P.O. Box 44213 • Baton Rouge, LA 70804-4213

Street Address: 8401 United Plaza Blvd. • Baton Rouge, LA 70809

Toll Free: 1.800.256.3000 • Local: 225.922.0600 • Fax: 225.922.0614

Web Site: [www.lasers.state.la.us](http://www.lasers.state.la.us)



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## LASERS Board of Trustees for fiscal year 2002-2003

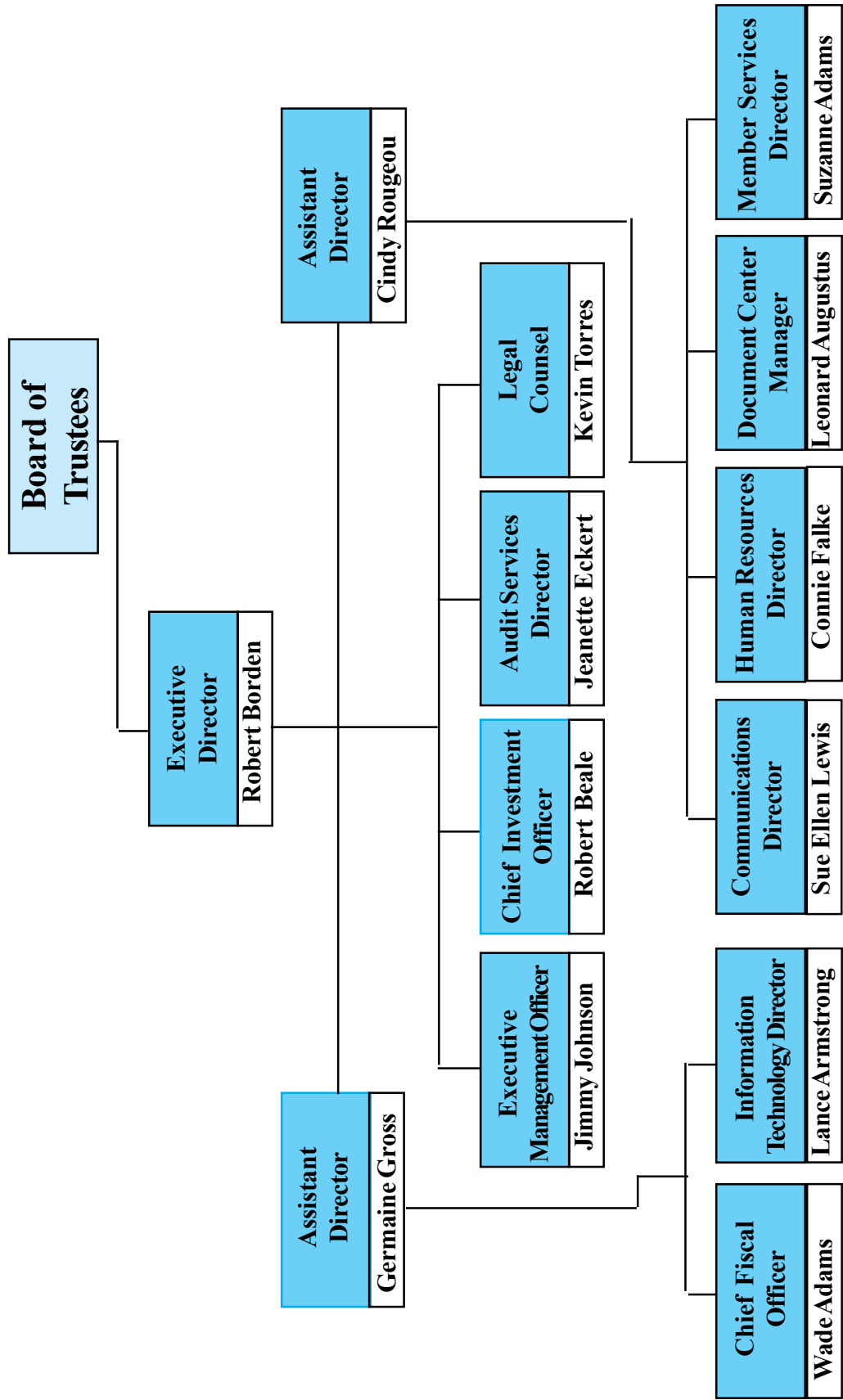
**Cynthia Bridges** - (Elected – Active)  
**Virginia Burton** - (Elected – Active)  
**Pam Davenport** - (Elected – Active)  
**\*Shirley Grand** - (Elected – Retired)  
**Benny Harris** - (Elected – Active)  
**Louis S. Quinn** - (Elected – Retired)  
**Kathy Singleton** - (Elected – Active)  
**Cheryl Turner** - (Elected – Active)  
**Sona Young** - (Elected – Retired)  
**Honorable John Kennedy, State Treasurer** - (Ex Officio)  
**Senator Lambert, Boissiere, Jr.** - (Ex Officio)  
**Representative Pete Schneider** - (Ex Officio)

\*Resigned, effective July 2003. Ray Funderburg completed the final 6 mos. of Ms. Grand's term.

# LASERS

## Organizational Chart

as of 6/30/03



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## LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM

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Dear Members:

At the Louisiana State Employees' Retirement System (LASERS), our goal is not only to ensure our stability as a financially sound retirement system, but also to know our members and their needs. With receipt of your questions and comments, LASERS will continue to listen to and act in the best interest of our members.

The following is the 2003 Summary Annual Report for LASERS. This report continues our efforts to provide understandable answers to common questions such as: What is LASERS? Who are our members? What is a defined benefit plan? Where does LASERS get funding and how is that money spent? Throughout this report, you will see **your** questions and **your** comments about **your** retirement system.

For the past few years, LASERS membership has followed the trend of the national population with an increasing number of retirees and decreasing number of active state employees. This year, however, active membership showed a slight gain from 64,692 to 65,441. Retirees and inactive membership continued to grow, increasing from 65,346 to 67,782. The continued growth in membership emphasizes the importance of our funding ratio, which is now 66.2%. This means approximately 66 cents of every dollar of future benefits to be paid is available to LASERS as of June 30, 2003. The remaining 33.8% is considered unfunded accrued liability (UAL).

The System Actuary determines the funding ratio and annual contributions rates based on projected system liability, which is calculated using membership statistics such as age, salary predictions, length of service estimations, life expectancy, etc. (See more details on pages 10 through 12 of this report.) The funding ratio represents the percentage of assets currently in the trust fund to meet all future retirement liabilities assuming an 8.25% rate of return will be received on investments. Because the State continues to make additional payments to reduce the unfunded liability through the monthly employer contribution rate, we remain on schedule to be fully funded by 2029 as ordered in 1987 by Constitutional Amendment Number 3.

For the second year, LASERS participated in a comprehensive cost effectiveness measurement program for its operational activity (not including investment costs). The program required LASERS to provide costs, services and statistical information at a detailed level by activity areas such as paying benefits timely or member counseling. With the data provided, LASERS was compared to 18 retirement systems similar in membership size and complexity in regard to services rendered and the cost of those services. LASERS has been able to maintain an administrative cost of \$57 per member, which is below the median cost of \$60 per member for the other systems, while producing higher than the normal relative work levels. LASERS overall service levels and operational complexity are near the middle of the group of retirement systems although LASERS is one of the smaller systems in the group. Through this survey and your comments, LASERS was able to identify some areas of improvement and have ideas on how other pension funds operated in these areas. As a result, we made improvements in our Web Site and in our member annual statements. Also, we are currently making improvements in other areas. LASERS participates in a similar program designed for investment operational costs.

To improve our overall performance, LASERS has begun a comprehensive long-term strategic plan for investments that seeks to enhance our position comparable to other retirement systems. A major part of the plan is the reduction of investment management fees while strengthening internal controls. LASERS is re-negotiating the management fees of our money managers as their individual contracts end.

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## LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM

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LASERS efforts to reduce fees and to reduce the unpredictability of actual returns with respect to the desired returns stated in LASERS investment policy has lead us to increase our use of low-cost passive investment strategies. LASERS is taking advantage of its existing resources to manage most of the passive strategies internally, resulting in further cost savings and efficiencies. More explanations are included on pages 13 and 14 of this report.

September 11, 2001 gave new depth to the meaning of the term "rise and fall of the market," but we are rising again. For the fiscal year ended June 30, 2003, LASERS had an increase in investment value compared to the previous two years in which investments decreased in value. This investment performance was in the top 45% of similar public pension plans with assets greater than one billion dollars.

Since financial markets do rise and fall, our best defense is to choose a varied selection of investments and to manage these funds for long-term results. LASERS investment strategy allows us to ride out fluctuations in the stock market, enabling our investment managers to take advantage of long-term market trends. LASERS has also reduced other expenses such as manager fees through reallocation of assets. LASERS Statement of Investment Objectives defines investment guidelines approved by our Board of Trustees. Our internal Investment Division and our independent Investment Consultant monitor investment performance regularly with monthly Board oversight.

Despite all that has occurred in the marketplace, LASERS cash flow remains sufficient to ensure our ability to pay monthly benefit checks and safeguard your retirement and financial future. Cash-on-hand and monthly incoming cash from operations effectively allow us to pay benefits for the near future without having to sell off investment securities during adverse market conditions. Net operating revenues, primarily from employee and employer contributions, investment income and investment dividends, for the year ended June 30, 2003, were \$650.9 million while our net operating disbursements, including benefit payments, amounted to \$597.8 million, resulting in a \$53.1 million positive cash flow. For additional information, see page 15 of this report.

LASERS 2003 Summary Annual Report also includes information on supplemental Deferred Retirement Option Plan (DROP) and Initial Benefit Option (IBO) accounts, benefit payment statistics, and audited Statements of Plan Net Assets and Statements of Changes in Plan Net Assets.

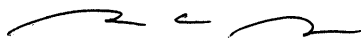
Our Summary Annual Report for 2002 received the prestigious national Award for Outstanding Achievement in Popular Annual Financial Reporting (our fourth consecutive award) for providing understandable answers to questions commonly asked by our members and for conforming to the highest standards for preparation of state and local government popular reports. The standards are further defined at the end of this report.

We trust you will find the information in our 2003 Summary Annual Report, as well as the additional sources of information provided, to be both interesting and informative. We look forward to being of continued service to you, our members.

Sincerely,



Robert L. Borden, CFA  
Executive Director



Robert Beale, CFA  
Chief Investment Officer



Wade H. Adams  
Chief Fiscal Officer

# **Award for Outstanding Achievement in Popular Annual Financial Reporting**

**PRESENTED TO**

**LOUISIANA  
STATE EMPLOYEES'  
RETIREMENT SYSTEM**

**For the fiscal year ending  
June 30, 2002**



*Edward Harrington*

President

*Jeffrey L. Esser*

Executive Director

## LASERS PLEDGE TO MEMBERS

**LASERS will work hard to achieve the greatest efficiency in customer service with emphasis on increasing our investments and productivity. As our Mission Statement states, LASERS exists:**

"...to improve the financial security and quality of life of LASERS members and their families by utilizing qualified personnel adhering to the highest level of professional standards, prudent management of system assets and cost-effective administration."

**You have our word on it!**

We have sprinkled appreciative comments from our members throughout this document

"1st Class Service!"

## MEMBERS SPEAK... LASERS LISTENS!

THE FOLLOWING ARE QUESTIONS BY OUR MEMBERS ALONG WITH LASERS ANSWERS TO THOSE QUESTIONS

### Q. What is a Defined Benefit Plan?

**A.** LASERS is the administrator of a defined benefit plan. In a defined benefit plan, a portion of your salary, before taxes, is received by LASERS, then invested on your behalf to guarantee you a lifetime retirement benefit. This is in contrast to a defined contribution plan, where the amount you put in defines how much you get out. The Louisiana Legislature defines the mandatory percentage for each retirement plan.

<u>Retirement Plan</u>	<u>Contribution Rate</u>
Regular Employees	7.5%
Agents of Dept. of Correction	9.0%, 7.5% after DROP
Wildlife Agents	9.5%, effective 7/1/03
Legislators, Judges	11.5%

The regular member retirement plan makes up 88% of the total active membership, with the Corrections plan participation at 9% and all the other retirement plans totaling 3%. As a point of interest, of the 65,441 active members, 32,986, or about approximately 50%, are between the ages of 40 and 55 years old.

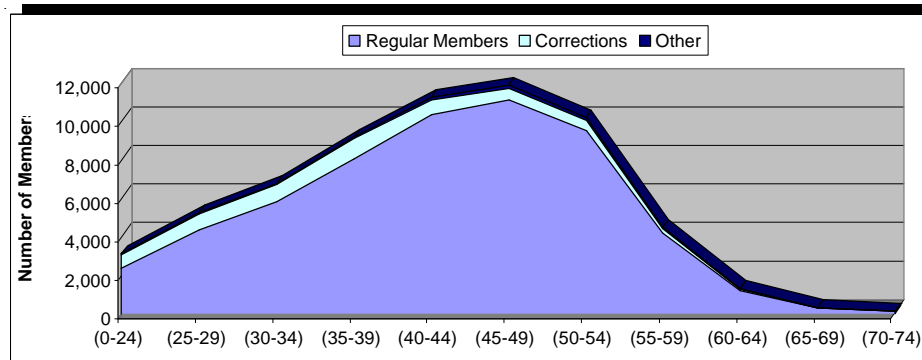
"Informative!"



## LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM

### Q. Who is eligible for membership in LASERS?

A. Membership in LASERS is mandatory for all state employees, except those specifically exempted by law. LASERS consists of six different retirement plans depending on the member's type of employment: regular members, Corrections officers, Judges and court officers, Legislators and certain elected officials, Wildlife agents, and employees working after a deferred retirement. Each type has its own contribution rates, service credit and retirement eligibility rules. The graph below shows the number of active member participation for each retirement plan.



The Retirement System is made up of several types of participant groups, within each retirement plan, ranging from active to retired. The table below compares the number of each type of participant group during 2003 to those in 1996.

PARTICIPANT GROUP	June 30, 2003	June 30, 1996
Active and Vested Inactive Members	66,758 <sup>1</sup>	70,682
DROP Participants	2,768	2,320
Retirees/Survivors/Disability Recipients	32,757 <sup>2</sup>	27,028
Inactive-Not Refunded	30,940 <sup>3</sup>	21,768
<b>TOTAL PARTICIPANTS</b>	<b>133,223</b>	<b>121,798</b>

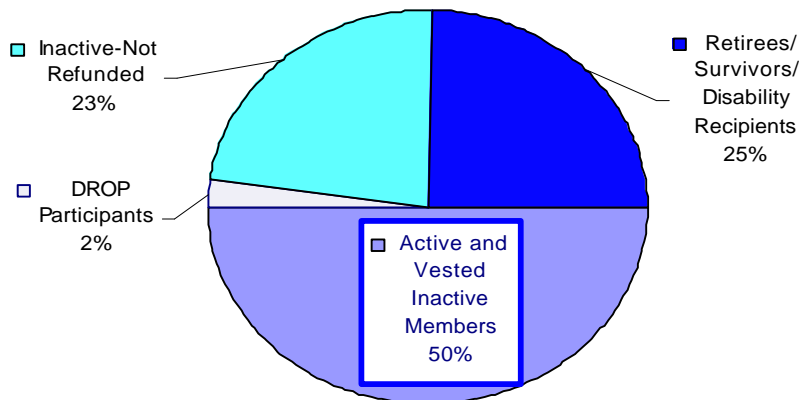
NOTES:

<sup>1</sup> There are 1,317 vested inactive members who are no longer employed and contributing to the plan but will be eligible to receive retirement benefits when they meet all eligibility requirements, including age.

<sup>2</sup> Includes 1,220 receiving disability checks and 5,262 receiving survivor benefits.

<sup>3</sup> Represents individuals who no longer work in state service, who have not met current eligibility requirements to receive any future regular benefits, and who have not withdrawn their contributions.

### PLAN PARTICIPANTS



The pie chart to the left shows that 25% of members are receiving benefits and that 50% of plan participants are currently working or already vested. The remaining 25% are broken down into DROP participants and inactive members whose contributions remain in the system. In addition, 42% of active members have less than 5 years of service, plus 18% potentially meet various retirement eligibility criteria with 20 or more years of service.

**Q. What is DROP and IBO?**

**A.** DROP, LASERS Deferred Retirement Option Plan, is an optional method of retiring from LASERS. It is not an additional retirement benefit. You can participate in DROP for up to 36 months. During your DROP participation, you continue to work and earn your regular salary, but you also accumulate money in an individual account based on the amount you would have received as a monthly retirement benefit had you left state employment. You can only withdraw the money from your DROP account after you terminate state employment – either as a lump sum or a series of payments spread over time.

Members that are eligible to retire who do not choose to participate in DROP may elect to receive, at the time of retirement, an Initial Benefit Option (IBO) in an amount up to 36 months of benefits, with an actuarial reduction of their future benefits. Such amount may be withdrawn or remain in the IBO account earning interest at the same rate as the DROP account.

**Q. Are DROP participants eligible for Cost-of-Living adjustments?**

**A.** DROP participants are not eligible for Cost-of-Living Adjustments (COLA) granted to retirees during the participation period or during the period of continued employment after DROP participation ends. Once participation in DROP begins, the election is irrevocable, so LASERS suggests that you study all options carefully.

Once the DROP participation period ends, interest of one-half percent less than the system's actuarial rate of return on its portfolio (compounded monthly) is applied to the balance of the account annually. (See explanation of "actuary" in the next topic of this report.) However, based on the opinion of Louisiana's Attorney General, when the actuarial rate is below .05%, such as it was in 2002 and 2003, interest is neither added nor deducted from the member's account. DROP account funds, including interest, will be subject to federal income tax when funds are withdrawn.

The table below shows the combined life-to-date activity of DROP and IBO accounts since their inception in 1991 and 1996 respectively:

	(in millions)
Net Deposits	\$541.9
Interest Earned	72.5
Disbursements to Members	(237.6)
Balance of DROP/IBO Accounts	\$376.8

**Q. What is an actuary and how does the actuary calculate rates?**

**A.** An actuary is a mathematician who studies and evaluates future probabilities and their financial impact by applying probability and statistical theory. The future is not a certainty, but the past is known, so actuaries calculate pension and annuity rates based on risk factors obtained from tables derived from past experience. The System Actuary determines the funding ratio and annual employer contribution rates based on a "projected system liability" using membership information such as age, salary projections, length of service projections and life expectancy of the state population.

**Q. What is an actuarial liability?**

**A.** The term "actuarial liability" refers to the present value of total future benefits to be paid over the life expectancy of the recipient. "Present value" means the present day worth of pension benefits to be paid in the future. Currently, there are not enough trust funds to pay 100% of total estimated future retirement payments. This deficiency creates an "unfunded accrued liability" (UAL). The UAL resulted from periodic under funding of employer contributions before Constitutional Amendment Number 3 in 1987 required the State of Louisiana to fund current costs each year and to eliminate the UAL by 2029.

"Knowledgeable!"

The table below shows the "Actuarial Accrued Liability" for members in the year 2003. This is the amount of money to be accrued (expected to be needed), for both active and retired members. Each year, more of the working force retire and due to inflation, salaries go higher and higher. These factors add to the yearly increase in the accrued amounts.

Actuarial Accrued Liability for 2003		
<b>Active Members</b>		
Retirement Benefits/Survivor	\$	3,758,837,438
Disability and Other Benefits		<u>405,218,042</u>
Subtotal		4,164,055,480
<b>Retired and Inactive Members</b>		
Regular and Survivor		4,086,175,861
Disabled and DROP		<u>1,546,074,735</u>
Subtotal		5,632,250,596
TOTAL	\$	<u>9,796,306,076</u>

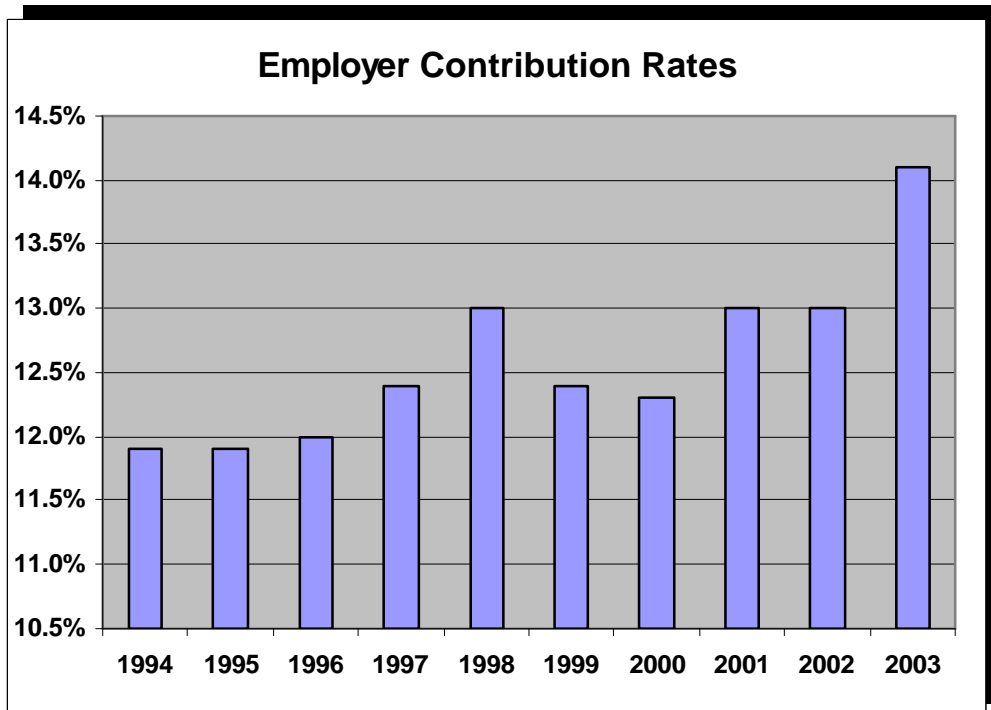
"Easy to Talk With!"

"Professional  
and  
Proficient!"

"Thumbs Up!"

**Q. Why do the employer contributions go up every year?**

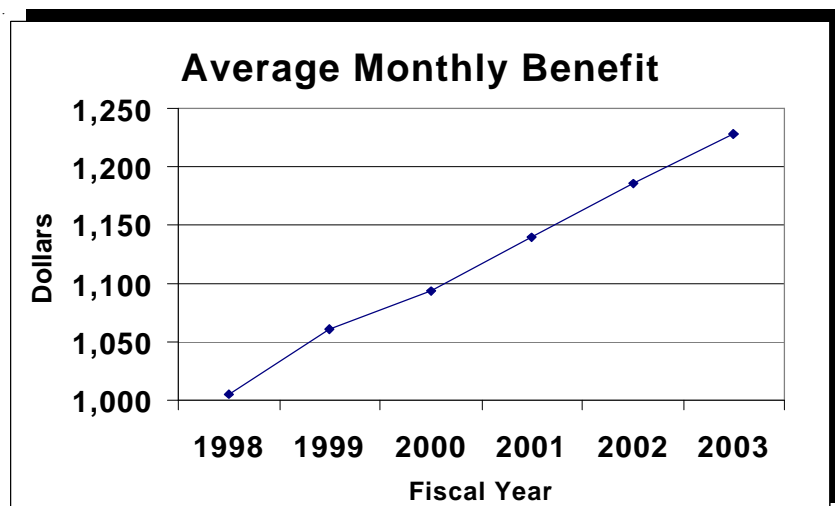
**A.** The employer contributions are set by the Public Retirement Systems' Actuarial Committee (PRSAC) for the fiscal year based on the performance of the system's Investment returns. The employer contribution rate is determined each fiscal year (7/01 through 6/30) based on an actuarial formula that is set by state law R.S. 11:102. The employer contribution includes an amount designated to pay a portion of LASERS unfunded accrued liability. The unfunded accrued liability is scheduled to be paid in full by the year 2029. The employer contribution rate may go up or down as indicated on the chart below, depending on the performance of the assets for each year.



"Friendly  
and  
Courteous!"

**Q. What can I expect my benefit to be?**

**A.** Each person's retirement benefit is based on an averaging of the highest consecutive 36 months of earnings, how many years of service they have and the plan they are in as mentioned in the defined benefit section on page 8. In 2003, the average monthly benefit check for regular retirees, survivors, and disability recipients was \$1,228. While 2003 average monthly benefits increased \$46 from the prior fiscal year, the average monthly check has increased by \$223 since 1998. Investment gains since 1998 were used to grant COLAs each year, creating a steadier rise in the average check amount. Due to the slow economy for the previous two years, no COLA will be granted in the upcoming year.

**Q. How does LASERS determine investments?**

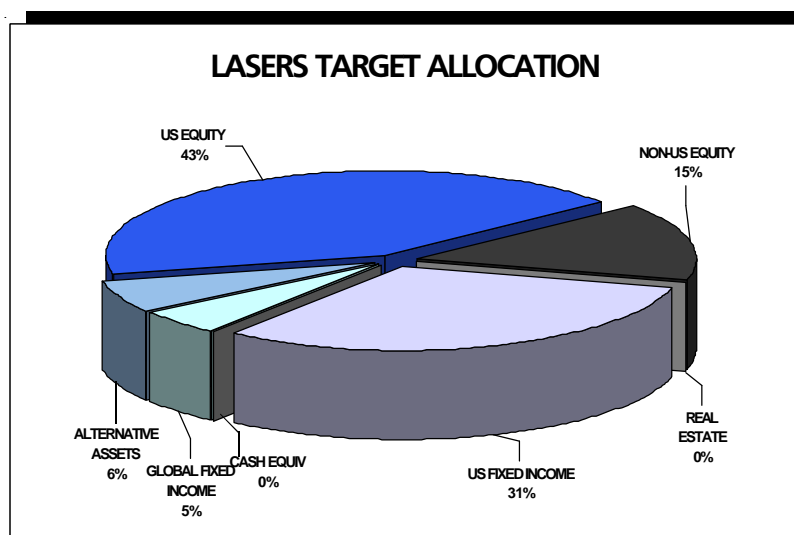
**A.** LASERS investment allocation is arrived through a yearly asset study conducted by LASERS external investment consultant, New England Pension Consultants, and LASERS internal investment staff. Key inputs to the study include historical returns, recent performances and deviation from historical assets. The primary focus of the asset allocation is to maintain a diversified portfolio while achieving the target rate of return with the least possible amount of risk.

LASERS had an increase in investment value for the fiscal year ending June 30, 2003, compared to the decrease in the previous two years. However, from an actuarial perspective, the increase was not sufficient to prevent a reduction in the overall funded percentage of the fund. Financial markets do rise and fall; therefore, the best plan for long-term pension funds is to choose a varied selection of investments as illustrated below.

SECURITIES	DESCRIPTION	FY 2003	FY 2002
FIXED INCOME	Pays a specific interest rate, such as a bond, money market instrument or preferred stock.	\$1,908,806,725	\$1,950,400,578
EQUITY	Ownership interest in a corporation in the form of common stock or preferred stock that does not pay a	3,222,882,701	3,185,856,484
ALTERNATIVE INVESTMENTS	Long-term investments with a limited trading market and other non-traditional investments.	326,129,912	320,770,281
SHORT TERM	Investments usually with a term of one year or less, and often refers to bonds or loans.	172,524,924	72,507,610
<b>GRAND TOTAL</b>		<b>\$5,630,344,262</b>	<b>\$5,529,534,953</b>

## LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM

In addition to achieving diversification by asset class, careful attention is paid to diversification within each asset category and sub-category. As illustrated by our target asset allocation chart to the right, LASERS is committed to maintaining a broadly diversified portfolio and achieving its target rate of return of 9.35% which is composed of the actuarial target funding rate of 8.25% and an excess return of 1.10% with the least possible amount of risk. LASERS investment strategy allows us to ride out most fluctuations in the stock market, enabling our investment managers to take advantage of long-term investment trends.



### Q. How has LASERS handled the loss of investments?

A. LASERS has embarked on a long-term strategic planning process that is centered on increasing returns and reducing costs relative to other public retirement systems. LASERS Board and staff have devoted considerable effort to this process, resulting in system resources that are better allocated to tasks having direct positive impact on achieving this plan.

Looking into the future, further emphasis and effort will be placed on risk management and cost controls in order to be a more efficient provider of retirement benefits. As part of LASERS Strategic Plan, the following activities are important to providing a high level of risk management:

- Identifying existing and potential risk management practices; creating a risk management policy
- Evaluating risk management systems and implementing a cost-effective solution
- Peer analysis and utilization of industry-wide best practices
- Expanding awareness of the legislature and other outside governing bodies by quantifying the volatility of employer contributions

To provide additional security of your investments, LASERS has established guidelines and restrictions. For example, we cannot invest more than 65% of total assets in the stock markets and cannot hold more than 5% of any one company's outstanding stock. LASERS staff monitors portfolio managers on a daily basis, while consultants and the Board of Trustees monitor investment performance and guideline compliance on a monthly basis.

LASERS has evaluated and implemented four internally managed equity portfolios to maintain exposure to the appropriate asset classes, while keeping as low as possible investment management costs. In addition, as a result of reviewing our long-term strategic plan to make sure we are well positioned to meet our long-term goals and objectives, we added two index funds<sup>1</sup> to be managed by State Street Global Advisors. The table below lists the amounts allocated to Internally Managed and Index Funds.

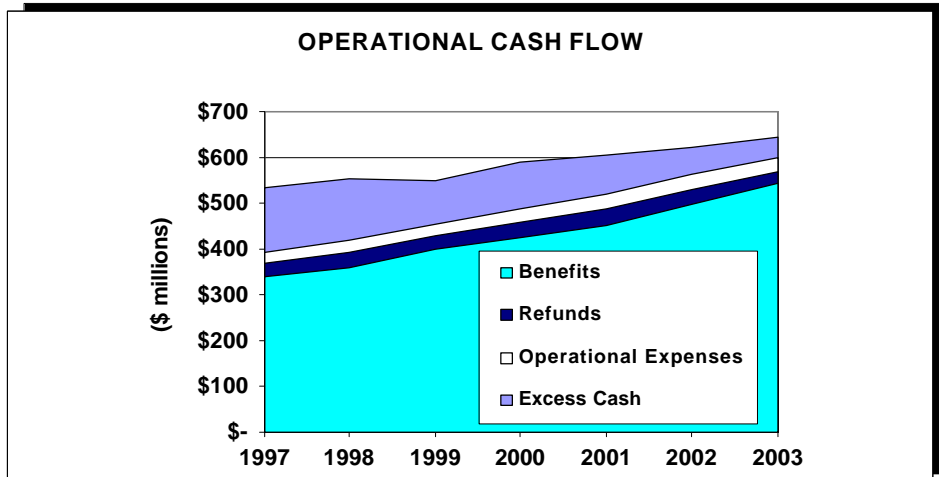
**Note:** <sup>1</sup> An index fund is a mutual fund that includes assets from several accounts pooled together to reduce management and administration costs; also called pooled fund.

FUND	2000	2001	2002	2003
Internally Managed	1,214.8	1,646.2	1,375.1	1,715.7
Indexed	167.4	44.3	22.5	497.7
<b>Subtotal</b>	<b>1,382.2</b>	<b>1,690.5</b>	<b>1,397.6</b>	<b>2,213.4</b>
All other Investments	5,109.7	4,158.8	4,131.9	3,416.9
<b>Total Investments</b>	<b>6,491.9</b>	<b>5,849.3</b>	<b>5,529.5</b>	<b>5,630.3</b>

**Q. Are our benefits secure?**

**A.** During the fiscal year, our normal operations reflected a total of \$650.9 million dollars of operating revenue while total disbursements totaled \$597.8 million dollars providing LASERS with a net \$53.1 million in excess cash flow. LASERS uses the monthly receipt of excess operating cash flow, as well as the cash balance, as immediate sources for paying monthly benefit checks. As of June 30, 2003, LASERS had \$91.6 million in cash and cash equivalents on hand.

As detailed on our 2003 financial statements, the primary sources of our \$650.9 million revenue are contributions (69.4%) and dividends and interest income on investments (27.3%). This revenue was used for payment of benefits and DROP withdrawals (about 84%), refunds (4%) and operating and investment expenses (4%). The excess operating cash flow (8%) is added to our fund balance and invested.



"Top Notch!"

Over the long term, operating cash flows change based on our funding level, our active member to retiree ratio, and our average benefits. In the short term, they are affected by contribution rates and are subject to abnormal levels of refunds or DROP withdrawals. They can be supplemented or offset by realized gains and losses (from actual sales) of investment securities. Liquidation of securities would be our next source of funding current benefits, should it ever become necessary.

Most important, our financial statements for the year ending June 30, 2003 show the net appreciation in the fair value of investments of \$45.8 million. This year's positive net investment activity gives a good indication for future positive growth.

LASERS is a long-term investor with investment policies and diversification designed to take advantage of long-term investment trends. Financial markets do rise and fall, and LASERS investment activity has had a negative result during the past few years. However, as shown in the table to the right, normal operating cash flows are relatively stable, so LASERS ability to pay monthly benefit checks has not been and is not in jeopardy.

2003 Operating Cash Flows and Financial State Results (in millions)	
Operating Revenue	\$ 650.9
Net Disbursements	<u>597.8</u>
Net Operating Cash Flow	\$ 53.1
Net Investment Activity	45.8
Net Increase in Plan Assets Per Financial Statements	\$ 98.9

In recognition of the current financial environment, LASERS also operated below budgeted amounts for administrative expenses spending only \$10.2 million of a budgeted \$11.7 million. A more detailed presentation of the budget versus actual activity for the year is shown in the Schedule of Administrative and Investment Expenses – Budget and Actual on page 42 of LASERS Comprehensive Annual Financial Report (CAFR).

## LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM

As the following table shows, LASERS Plan Administrative Expenses were \$1.5 million under budget.

	2003		
	Actual	Budget	Favorable (Unfavorable)
<b>Administrative Expenses:</b>			
Salaries and Related Benefits	\$ 6,515,988	\$ 6,560,963	\$ 44,975
Travel	186,266	347,962	161,696
Operating Services	2,187,731	3,219,860	1,032,129
Supplies	181,422	197,475	16,053
Professional Services	<u>1,125,100</u>	<u>1,414,256</u>	<u>289,156</u>
<b>Total Budget and Actual Expenditures</b>	<u>\$ 10,196,507</u>	<u>\$ 11,740,516</u>	<u>\$ 1,544,009</u>

In an effort to ensure that our operations are run in an efficient and cost-effective manner for benefit administration, in 2003, LASERS participated in a nationwide survey to compare our administrative services with that of other pension plans across the country, using fiscal year ended June 30, 2002 costs. Of 35 systems participating, we were rated in a peer group of 18 large government systems serving an average of 193,000 members with \$13 billion in assets. The cost effectiveness of our administrative expenses was rated on 15 specific operating services, including items such as paying benefits, member/retiree counseling, refunds, plan design and special projects.

- **COST PER MEMBER/RETIREE SERVED** – LASERS total cost benefit administration per active member and retiree served was \$57, compared to a median peer cost of \$60.
- **GOVERNANCE & FINANCIAL CONTROL** – LASERS weighted average score for Annual Report was a 94% out of 100% in comparison to the average peer group score of 68%.
- **COMPLEXITY** – Complexity is rated on things such as multiple benefit formulas and options, COLA structure, vesting standards, and disability benefit structure. Although LASERS is one of the smallest retirement systems within our peer group we have established a solid 50% overall rating.
- **SERVICE LEVEL** – LASERS service to Employers scored an 85% compared to the peer group's average of 79%, and our Mass Communication Service Level was at a 64% in comparison to a 45% for the peer group.

The survey indicates that the improvements made through our special projects, such as our new phone bank, has enabled us to lower costs in some important areas. This will allow us to concentrate on other areas, such as improving the process of setting up benefits. In the coming year, LASERS management will be putting more emphasis on these areas in which our members would receive the most benefit.

**Even though we are a smaller system with an above average workload, we have been able to keep our costs down while providing above average service quality.**

"Excellent  
Customer  
Service!"



## For Your Information

**LASERS** is a defined benefit pension plan under Section 401(a) of the Internal Revenue Code. It was established by act of the Louisiana Legislature in 1946 with the first members joining the system July 1, 1947.

Basic eligibility requirements:

- 30 years service at any age
- 25 years service at age 55
- 10 years service at age 60
- 20 years service, any age, with an actuarially reduced benefit

There are different contribution and retirement eligibility requirements for special groups of employees. These are further defined on our web site and in our Membership Handbook.

The Popular Annual Financial Report (PAFR) is designed to present information regarding the financial condition of LASERS in a user-friendly format. Our PAFR, entitled "Summary Annual Report," condenses and simplifies our 2003 Comprehensive Annual Financial Report (CAFR) and is intended to be a supplement to the CAFR, not a replacement. The CAFR conforms to Generally Accepted Accounting Principles (GAAP). While the information for this report was taken from our CAFR, is presented in a non-GAAP format for ease of understanding.

We have submitted our 2003 CAFR for review under the Government Finances Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting. A complete copy of the CAFR can be reviewed at any parish library or at the Louisiana State Library in Baton Rouge, or may be purchased at our cost by contacting our office.

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the Louisiana State Employees' Retirement System for its Popular Annual Financial Report for the fiscal year ending June 30, 2002. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report whose contents conform to program standards of creativity, presentation, understandability and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. LASERS has received a Popular Award for the last four consecutive years. We believe our current report continues to conform to the popular Annual Financial Reporting requirements, and we are submitting it to GFOA.

For additional detailed information on the above topics, as well as our annual independent auditor's report, check the LASERS Web Site at <http://www.lasers.state.la.us>. For our complete CAFR, call LASERS, or check with your public library's Government Resource Document Center.

For answers to frequently asked questions, you may also access our 24-hour automated information line at **1-800-830-0337**.

**LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM**

**STATEMENTS OF PLAN NET ASSETS  
JUNE 30, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>		
Cash and Cash Equivalents (at fair value)	\$ 91,561,494	\$ 30,376,173
Receivables:		
Employer Contributions	20,186,471	17,522,409
Member Contributions	11,013,639	10,357,319
Interest and Dividends	29,644,425	36,203,481
Investment Proceeds	27,771,546	38,047,506
Open Investment Contracts	255,914	25,434,232
Other	840,163	1,293,078
Total Receivables	<u>89,712,158</u>	<u>128,858,025</u>
Investments (at fair value):		
Short-term Investments - Domestic	172,524,924	72,507,610
U. S. Government Obligations	675,181,505	595,267,182
Bonds/Fixed Income - Domestic	863,268,859	957,872,777
Bonds/Fixed Income - International	370,356,361	397,260,619
Equity Securities - Domestic	2,370,603,802	2,355,436,089
Equity Securities - International	852,278,899	830,420,395
Real Estate Investments	31,238,732	30,322,010
Alternative Investments	294,891,180	290,448,271
Total Investments	<u>5,630,344,262</u>	<u>5,529,534,953</u>
Property and Equipment:		
Land	858,390	889,816
Building and Improvements	5,131,565	5,054,298
Equipment	8,652,667	8,245,319
	<u>14,642,622</u>	<u>14,189,433</u>
Accumulated Depreciation	(8,984,880)	(8,033,906)
Total Property and Equipment	<u>5,657,742</u>	<u>6,155,527</u>
<b>TOTAL ASSETS</b>	<u>5,817,275,656</u>	<u>5,694,924,678</u>
<b>LIABILITIES</b>		
Investment Commitments Payable	93,197,172	44,695,381
Accounts Payable - Open Investment Contracts	255,914	25,434,232
Accounts Payable and Other Accrued Liabilities	5,078,591	4,916,831
<b>TOTAL LIABILITIES</b>	<u>98,531,677</u>	<u>75,046,444</u>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>	<u>\$ 5,718,743,979</u>	<u>\$ 5,619,878,234</u>

# LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM

## STATEMENTS OF CHANGES IN PLAN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2003 AND 2002

	<u>2003</u>	<u>2002</u>
<b>ADDITIONS</b>		
Contributions:		
Employer Contributions	\$ 292,290,126	\$ 256,079,880
Member Contributions	<u>159,469,854</u>	<u>151,350,321</u>
Total Contributions	<u>451,759,980</u>	<u>407,430,201</u>
Investment Income:		
Net Appreciation/(Depreciation) in Fair Value of Investments	45,767,189	(527,517,733)
Interest and Dividends	177,513,699	200,382,468
Other Investment Income	<u>6,471,885</u>	<u>1,528,018</u>
	229,752,773	(325,607,247)
Less Investment Fee Expense	<u>16,901,210</u>	<u>17,213,862</u>
Net Investment Income	<u>212,851,563</u>	<u>(342,821,109)</u>
Other Income	<u>15,137,037</u>	<u>14,658,709</u>
Total Additions/(Deductions)	<u>679,748,580</u>	<u>79,267,801</u>
<b>DEDUCTIONS</b>		
Retirement Benefits	544,009,581	498,392,717
Refunds of Member Contributions	25,043,817	31,391,355
Administrative Expenses	10,196,507	8,315,745
Other	<u>1,632,930</u>	<u>4,943,827</u>
Total Deductions	<u>580,882,835</u>	<u>543,043,644</u>
<b>NET INCREASE (DECREASE)</b>	98,865,745	(463,775,843)
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>		
Beginning of Year	<u>5,619,878,234</u>	<u>6,083,654,077</u>
End of Year	<u>\$ 5,718,743,979</u>	<u>\$ 5,619,878,234</u>

